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INFO RUEHAC/AMEMBASSY ASUNCION 8244  
RUEHBO/AMEMBASSY BOGOTA 5601  
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RUEHBU/AMEMBASSY BUENOS AIRES 6759  
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C O N F I D E N T I A L LA PAZ 001752

SIPDIS

E.O. 12958: DECL: 08/14/2018  
TAGS: [PGOV](#) [PREL](#) [KDEM](#) [BL](#)  
SUBJECT: BOLIVIA: DIALOGUE RESUMES, THEN COLLAPSES

REF: LA PAZ 1741

Classified By: EcoPol Chief Mike Hammer for reasons 1.4 b,d

11. (C) Summary: The central government and the prefects of Tarija, Beni, Pando, Chuquisaca, Oruro, and Potosi met August 13 and 14, along with representatives of Santa Cruz prefect Ruben Costas, who remained in Santa Cruz participating in a hunger strike. The central government's dialogue agenda has three items: the constitution and autonomy statutes; hydrocarbon taxes; and the designation of electoral and judicial authorities. For their part, the prefects say they have two goals: constitutional reform and reassessing how much of the departments' (states') hydrocarbon taxes go to fund the new retirement fund. Already, however, the central government is questioning Santa Cruz's willingness to compromise, and the chances of real dialogue (rather than a public show) are dwindling. End summary.

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The Dialogue Dance  
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12. (C) While initially the opposition prefects rejected a sudden call from the government to meet on August 12, the prefects came to La Paz late August 13 for a meeting, arriving on a government-provided aircraft. After a session on August 12 in which President Evo Morales only appeared for a couple of minutes, the prefects were asked to come to the palace at 6 a.m. the following morning. After waiting hours for Evo to show, however, the prefects walked out and declared they were returning to their departments. Pando Prefect Leopoldo Fernandez said, "My only regret is that I didn't catch the early flight out of La Paz." Certainly an inauspicious start to trying to resume a dialogue.

13. (C) The central government now says it will invite the OAS and friends group (Argentina, Brazil, and Colombia) to participate as "witnesses" to the talks, if they resume. All parties are calling for dialogue, but most pundits fear these new meetings will be as unproductive as the meetings before the recall referenda.

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It Takes Ten To Tango  
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¶4. (C) The main two items under discussion are constitutional and autonomic reform and hydrocarbon taxes; both are likely to be difficult to reconcile. The Movement Toward Socialism (MAS) draft constitution--passed without opposition participation and amidst violence--is written in a way intended to weaken the departments' autonomy. Reconciling the constitution with the autonomy statutes (which themselves are all different) would therefore require real compromise, something neither the government nor the opposition departments have shown themselves willing to embrace up until now. The presence of MAS-aligned prefects, who follow the party-line on autonomy by pushing regional autonomy instead of departmental autonomy, could also complicate matters. The opposition prefects also point out that they face difficulties modifying the autonomy statutes, because the statutes have already been voted on and approved by each department's voters.

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Taxes--Show Them the Money  
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¶5. (U) The hydrocarbons taxes are another thorny issue: the central government has begun running ads highlighting the fact that the departments are getting more money now, thanks to the increase in hydrocarbons prices. However, the prefects remain focused on the fact that the government is taking fifteen percent more of the hydrocarbons taxes (thus decreasing by fifteen percent the windfall that the departments could have expected under the previous tax balance.)

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Meanwhile, Back at the Opposition Ranch...  
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¶6. (C) Meanwhile, government officials reacted angrily to Santa Cruz Prefect Ruben Costas' announcement of departmental elections for January 25. According to the departmental law promulgated by Costas, "Elections will be convoked in the autonomous department of Santa Cruz for departmental legislative assembly-members, sub-governors, and magistrates..." In response, Vice President Garcia Linera announced his "disappointment" that while the government was meeting for dialogue, Santa Cruz would pass an "unconstitutional" law that shows "that arrogant attitude, that rabid attitude of prefect Ruben Costas, who didn't come to La Paz (to participate in the dialogue) on some pretext of ill health."

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Comment  
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¶6. (C) With President Evo Morales newly-strengthened by his sizable victory in the recall referenda and the opposition prefects also strongly backed by their constituents, the likelihood that either side will bend remains low. As before when the central government and the opposition prefects met in dialogue, we expect continued public posturing and no real resolution. The government will likely make a show of having tried to reach a compromise before turning to its true objective, securing a new constitution that allows for Evo's re-election. End comment.

GOLDBERG